

**CIRCULAR REF: 2014/004**

**CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS  
ATTENTION INSURANCE DEPARTMENT**

**21 JANUARY 2014  
PAJ/JAK**

**POLICY YEAR 2014 - RENEWAL**

We hereby provide Members with an up-date on a number of issues applying to Renewal and the New Policy Year.

## **Rules and Terms of Entry**

Various amendments have been notified to Members in the Club's Circular number 2014/003 of 20 January 2014.

## **International Group Reinsurance**

The International Group's General Excess of Loss Reinsurance ("GXL") Contract has been renewed. Unfortunately, the 2011/12 Policy Year, which produced both the first and the third largest ever claims on the International Group Pool, continued to deteriorate during 2013. This exposure, coupled with general concerns regarding the increased cost of major casualties and in particular removal of wreck and SCOPIC exposure, has led the Group's reinsurers to once again seek increases in the renewal premium for the 2014/15 Policy Year, resulting in rate increases for all vessel categories.

In order to mitigate the impact of the increase however, the excess point on the GXL Contract will be increased from US\$70 million to US\$80 million, with the additional US\$10 million again retained within the Group Pool and reinsured by the Group captive Hydra Reinsurance Company Limited ("Hydra"). The individual Club retention will remain at US\$9 million. Hydra will therefore now reinsure the Group Pool between US\$30 million and US\$80 million. The Hydra coinsurance share in the first US\$500 million layer of the GXL Contract excess of US\$80 million, will remain at 30%.

In a further change to the structure of the reinsurance programme, a 5% market placement has been made in two layers of cover from US\$100 million to US\$1.1 billion on a multi-year fixed placement basis. Hydra will reinsure the Group Pool 5% retained exposure between US\$80 million and US\$100 million.

## **CIRCULAR**

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For 2014/15 therefore, there will once again be a three layer Pool structure with a lower Pool layer from US\$9 million to US\$45 million, an upper Pool layer from US\$45 million to US\$60 million (within which, as currently, there is a claiming Club retention of 10%) and now a top Pool layer from US\$60 million to US\$80 million (within which there is a claiming Club retention of 5%).

The rates for 2014 therefore, inclusive of the excess War Risks cover will be as follows (these rates have been rounded to three decimal places):-

<b>Tonnage Category</b>	<b>2014 Rate per GT</b>	<b>% Change from 2013</b>
Dirty Tankers	US\$0.796/GT	+5.15%
Clean Tankers	US\$0.342/GT	+5.23%
Dry Cargo Ships	US\$0.520/GT	+5.26%
Passenger Ships	US\$3.779/GT	+20.01%

The GXL Contract will continue to include a further US\$1 billion collective overspill protection cover in addition to the US\$2 billion Excess Loss programme, which is intended to protect Members against overspill calls arising from any catastrophe claims up to US\$3 billion.

### **Sanctions**

Members are reminded that pursuant to the amendments to the 2011/2012 Rules, liabilities, costs and expenses that are not recovered from the International Group's GXL Contract by reason of the fact that payment of such claims would expose reinsurers to sanctions, are excluded from Pooling.

### **Charterer's Entries**

The standard limit of cover under the Club's reinsurance programme for Charterers will remain as per the Rules at US\$350 million each event for all claims under any one Entry. However, alternative limits of cover may be agreed by the Managers and declared in the Certificate of Entry.

### **P&I War Risks**

The limit of cover for excess P&I War Risks cover provided by the Club in respect of an Owners Entry, will continue to be US\$500 million each event in excess of the Ship's value, with the same aggregate limits as at present. Members are reminded of the need to ensure that they have arranged adequate underlying war risks insurance with cover for P&I risks, including crew, for the risks excluded by the Club's Rule 24(1), up to the proper value of the Entered Ship or US\$100 million, whichever is the lesser.

The limits of cover in respect of P&I War Risks cover for Charterer's Entries will be as set out in each Member's individual terms of entry, and the cover will operate in excess of the Member's appropriate deductible with the Club .

### **Bio-chem Risks**

In view of the exclusion of bio-chemical risks from the excess P&I War Risks cover and in recognition of the absence of suitable underlying facilities in the insurance market, as first advised in the Club's Circular of 1 March 2004 where full details may be found ([www.nepia.com](http://www.nepia.com)), the Club will, at no additional premium, continue to provide cover which is pooled with the other International Group Clubs on the same basis as in the current Policy Year, namely for :-

1. damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitution expense and shipwreck unemployment indemnity); and
2. legal costs and expenses incurred solely for the purpose of avoiding or minimising claims from Bio-chem Risks Cover is provided in excess of the Members usual deductible up to a limit of US\$30 million any one accident or occurrence or series of accidents or occurrences arising from one event each ship. This limit will apply to all interests (for example, Owners, Charterers and sub-Charterers) in each ship in aggregate regardless of whether or not they are entered in different International Group Clubs.

Cover is subject to a cancellation provision of 24-hours notice and areas of particular risk may be excluded from cover by decision of the Directors. There are no current excluded areas.

### **Heavy Fuel Oil Cargoes**

Following renewal, Members will be required to declare to the Club, which of their ships have carried heavy fuel oil as cargo in the previous 12 months. This has been a requirement since February 2006, and may result in surveys of Members' ships.

### **U.S. Voyage Surcharges**

Following a series of annual reductions in the amount of the US Oil Pollution Voyage surcharge, and reflecting the continued improvement in the record of tankers carrying persistent oil, Members that are carrying persistent oil as cargo to or from ports within the United States or the United States Exclusive Economic Zone ("EEZ") as defined in OPA 1990, will no longer have to pay additional premiums. Voyage declarations will therefore no longer be required, after 20 February 2014.

### **Circulars**

Members are reminded of the provisions of the Club's Circulars Rule 32 and that they should use their best endeavours to comply with any recommendation made by Circular. Copies of all Circulars may be viewed at or downloaded from the "Publications" section of the Association's website at [www.nepia.com](http://www.nepia.com).

### **United States Terrorism Risk Insurance Act (TRIA)**

The Directors have resolved that cover for acts of terrorism as defined in the US Terrorism Risk Insurance Act 2002 (and as amended by the Terrorism Risk Insurance Programme Reauthorisation Act 2007) will continue to be made available. The Act will apply to very few ships entered in the Club but, for those that are eligible, a premium of US cents 0.25 per GT will be deemed attributable to these risks and will be included within the overall premium.

### **Ancillary Insurance Covers**

The Club's website, [www.nepia.com](http://www.nepia.com), contains details of the ancillary covers available to Members for the 2014 Policy Year. The reinsurance programme underlying many of the Club's ancillary covers is structured to provide flexibility and diversity to cater particularly for Members' non-Poolable insurance requirements.

### **Summary of Cover**

In addition to the Certificates of Entry for the 2014 Policy Year, ships which are entered by owners will receive a Summary of Cover. This document is intended to be kept onboard ships and shown to port state authorities as evidence of the existence of P&I cover in relation to wreck removal and oil pollution. However, it should be noted that this document

does not constitute any part of the Contract of Insurance and should not be construed as evidence of any undertaking, financial or otherwise, on the part of the Club to any other party. Presentation by the Member of this Summary of Cover as evidence of insurance under any applicable law relating to financial responsibility or otherwise, is not to be taken as any indication that the Club consents to act as guarantor or to be sued directly in any jurisdiction. The Club does not so consent.

### **Completed Renewal Documentation**

Once again this year the Club will not be issuing paper copies of renewal documentation such as Certificates of Entry and Debit Notes. All documentation will continue to be forwarded electronically only.

### **Laid up Returns**

Members are reminded of the Club's requirements in respect of any entitlement to laid up returns, and in particular, that ships should be laid up in a safe port approved by the Managers. In addition, the Managers must be advised in advance of any ship preparing to leave a period of lay-up as the ship may be required to undergo survey in accordance with the Club's survey requirements. The Club issued a loss prevention briefing in respect of vessel lay-up in April 2009.

### **Premiums and Releases**

As advised in Circular 2013/033, issued in October 2013, the Club remains in a financially stable position and the Club's "A" stable rating was reaffirmed by Standard & Poor's last July. The Release Calls assessed in October 2013 will remain unchanged and unbudgeted premiums are not anticipated in respect of any open Policy Years.

### **Outstanding Premiums**

Final confirmation of renewal will be subject to there being no sums due or owed to the Club. Renewal documentation will not be made available to Members until any outstanding sums are paid or appropriately secured.

The Club's underwriting department will be happy to deal with any questions arising on any of the above matters.

PAUL JENNINGS

JOINT MANAGING DIRECTOR - North Insurance Management Limited

As Managers on behalf of the North of England P&I Association Limited